

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549



08027576

**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

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**FACING PAGE**

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/2007 AND ENDING 12/31/2007  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: Inverness Securities, LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

2000 Auburn Drive, Suite 440

(No. and Street)

Beachwood

Ohio

44122

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Bradley Zucker

216-839-5130

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Brockman, Coats, Gedelian & Co.

(Name - if individual, state last, first, middle name)

1735 Merriman Road

Akron

Ohio

44313

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant

☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

**PROCESSED**

**MAR 14 2008**

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Section**

**FEB 28 2008**

**Washington, DC**

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**102**

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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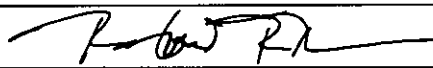
## OATH OR AFFIRMATION

I, Robert R. Renner, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Inverness Securities, LLC, as of December 31, 20 07, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

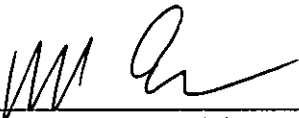
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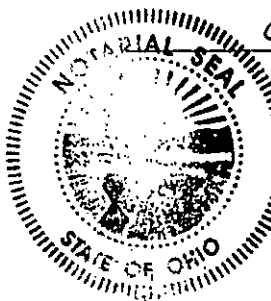
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Signature



Notary Public



600  
HOWARD S. ESSNER  
ATTORNEY AT LAW  
NOTARY PUBLIC  
STATE OF OHIO  
My Comm. Expires  
Expiration Date  
Section 147.01

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.

**\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).**

**INVERNESS SECURITIES, LLC**  
**(a limited liability company)**

**December 31, 2007 and 2006**

**FINANCIAL STATEMENTS**  
**AND SUPPLEMENTAL INFORMATION**



**BROCKMAN, COATS, GEDELIAN & CO.**  
certified public accountants and consultants



# **INVERNESS SECURITIES, LLC**

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**BROCKMAN, COATS, GEDELIAN & CO.**

certified public accountants and consultants

1735 Merriman Road, Akron, Ohio 44313-9007

(330) 864-6661 FAX: (330) 864-6918

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors  
Inverness Securities, LLC:

We have audited the accompanying statements of financial condition of Inverness Securities, LLC (the Company) as of December 31, 2007 and 2006, and the related statements of operations, changes in member's equity and cash flows for the years then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Inverness Securities, LLC as of December 31, 2007 and 2006, and the results of its operations and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information contained on pages 9 and 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Brockman, Coats, Gedelian & Co.*

February 25, 2008

**INVERNESS SECURITIES, LLC****STATEMENTS OF FINANCIAL CONDITION****December 31, 2007 and 2006**

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	<u>2007</u>	<u>2006</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 33,130	\$ 26,807
Accounts receivable	96,490	59,008
Other assets	<u>7,133</u>	<u>6,778</u>
	<u>\$ 136,753</u>	<u>\$ 92,593</u>
 <b>LIABILITIES AND MEMBER'S EQUITY</b>		
Accounts payable and accrued expenses	\$ 18,089	\$ 16,931
Member's equity	<u>118,664</u>	<u>75,662</u>
	<u>\$ 136,753</u>	<u>\$ 92,593</u>

*The accompanying notes are an integral part of these financial statements.*

**INVERNESS SECURITIES, LLC****STATEMENTS OF OPERATIONS****for the years ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Revenues:		
Monthly advisory fees	\$ 3,267	\$ 4,121
Commissions	282,430	251,109
12b-1 fees	97,095	96,762
Fee income	<u>270,661</u>	<u>226,169</u>
Total revenues	<u>653,453</u>	<u>578,161</u>
Expenses:		
Exchange and processing support fees	14,332	14,305
Ticket charges	152,696	116,441
Bank charges	171	150
Legal and professional fees	6,693	8,417
Dues and subscriptions	8,313	3,894
Insurance	443	503
Regulatory fees, licenses, and permits	7,921	6,690
Office supplies, postage, and delivery	6,614	4,561
Rent	15,600	15,600
Salaries and benefits	62,400	62,400
Registered representatives' commissions	31,834	28,372
Telephone	876	876
Miscellaneous	-	310
Travel and entertainment	<u>6,569</u>	<u>6,180</u>
Total expenses	<u>314,462</u>	<u>268,699</u>
Other income:		
Other income	35,000	-
Interest income	<u>2,436</u>	<u>2,171</u>
	<u>37,436</u>	<u>2,171</u>
Net income	<u>\$ 376,427</u>	<u>\$ 311,633</u>

*The accompanying notes are an integral part of these financial statements.*

# INVERNESS SECURITIES, LLC

## STATEMENT OF CHANGES IN MEMBER'S EQUITY for the years ended December 31, 2007 and 2006

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Member's equity, January 1, 2006	\$ 94,045
Net income	311,633
Contributions from member	94,520
Distributions to member	<u>(424,536)</u>
Member's equity, December 31, 2006	75,662
Net income	376,427
Contributions from member	93,999
Distributions to member	<u>(427,424)</u>
Member's equity, December 31, 2007	<u>\$ 118,664</u>

*The accompanying notes are an integral part of these financial statements.*



**INVERNESS SECURITIES, LLC****STATEMENTS OF CASH FLOWS****for the years ended December 31, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Net income	\$ 376,427	\$ 311,633
Changes in operating assets and liabilities:		
Increase in accounts receivable	(37,482)	(11,796)
Increase in other assets	(355)	(1,643)
Increase in accounts payable and accrued expenses	<u>1,158</u>	<u>10,714</u>
Net cash provided by operating activities	<u>339,748</u>	<u>308,908</u>
Cash flows from financing activities:		
Contributions from member	93,999	94,520
Distributions to member	<u>(427,424)</u>	<u>(424,536)</u>
Net cash used in financing activities	<u>(333,425)</u>	<u>(330,016)</u>
Net increase (decrease) in cash	6,323	(21,108)
Cash and cash equivalents, beginning of year	<u>26,807</u>	<u>47,915</u>
Cash and cash equivalents, end of year	<u>\$ 33,130</u>	<u>\$ 26,807</u>

*The accompanying notes are an integral part of these financial statements.*

NOTES TO FINANCIAL STATEMENTS

for the years ended December 31, 2007 and 2006

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1. **Summary of Significant Accounting Policies:**

***Company Activities*** – Inverness Securities, LLC (the Company) is a broker-dealer registered with the Securities and Exchange Commission (SEC) and the State of Ohio, and is a member of the Financial Industry Regulatory Authority (FINRA).

The Company is engaged in a single line of business as a securities broker-dealer, which comprises several classes of services, including agency transactions.

***Securities Transactions*** – Customers' securities transactions and related commission income and expenses are reported on a trade date basis. Amounts receivable and payable for securities transactions that have not reached their contractual settlement date are recorded net on the statements of financial condition.

***Cash and Cash Equivalents*** – The Company maintains its cash in deposit accounts, which, at times, may exceed federally insured limits. The Company has not experienced any significant losses in such accounts. Management of the Company believes it is not exposed to any significant credit risk.

The Company considers financial instruments with a maturity of less than 90 days to be cash equivalents.

***Expenses*** – Clearing expenses are recorded on a trade date basis as securities transactions occur.

***Concentration of Credit Risk*** – The Company is engaged in various trading and brokerage activities in which counterparties primarily include broker-dealers, banks, and other financial institutions. In the event counterparties do not fulfill their obligations, the Company may be exposed to risk. The risk of default depends on the creditworthiness of the counterparty or issuer of the instrument. It is the Company's policy to review, as necessary, the credit standing of each counterparty.

***Accounts Receivable*** – Accounts receivable are uncollateralized commission obligations due under normal trade terms requiring payments within 30 days from the report date. The Company generally collects receivables within 30 days and does not charge interest on accounts receivable with invoice dates over 30 days old.

Accounts receivable are stated at the amount billed. Payments of accounts receivable are allocated to the specific invoices identified on the remittance advice or, if unspecified, are applied to the earliest unpaid invoices.

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**for the years ended December 31, 2007 and 2006**

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**1. Summary of Significant Accounting Policies, Continued:**

The carrying amount of accounts receivable is reduced by a valuation allowance that reflects management's best estimate of the amounts that will not be collected. Management individually reviews all accounts receivable balances that exceed 90 days from the invoice date and based on an assessment of current credit worthiness, estimates the portion, if any, of the balance that will not be collected. Additionally, management estimates an allowance for the aggregate remaining accounts receivable based on historical collectibility. At December 31, 2007 and 2006, there were no accounts receivable that exceeded 90 days past due. In the opinion of management, at December 31, 2007 and 2006, all accounts were considered collectible and no allowance was necessary.

*Income Taxes* – The Company is a limited liability company whose taxable income or loss is taxed directly to its member. Accordingly, there is no provision for income taxes.

*Estimates* – Management uses estimates and assumptions in preparing financial statements in accordance with accounting principles generally accepted in the United States of America. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenue and expenses. Actual results could vary from the estimates that were used.

**2. Related Parties:**

The Company is affiliated through common management and ownership with another limited liability corporation. The Company has an expense sharing agreement with the affiliated company for certain expenses related to rent, salaries and benefits, technology, utilities, and supplies. The Company's allocation of shared expenses totaled approximately \$92,000 in 2007 and 2006.

**3. Net Capital Provision of Rule 15c3-1:**

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital balance, as defined, under such provisions.

The Company's minimum capital requirement is the greater of \$5,000 or 6-3/4% of aggregate indebtedness, as defined, under Securities and Exchange Commission Rule 15c3-1(a)(1), as it does not maintain customer accounts. Net capital may fluctuate on a daily basis. At December 31, 2007 and 2006, the Company had net capital of \$111,199 and \$68,666, respectively, which was \$106,199 and \$63,666, respectively, in excess of its required net capital of \$5,000.

**NOTES TO FINANCIAL STATEMENTS, Continued**  
**for the years ended December 31, 2007 and 2006**

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**3. Net Capital Provision of Rule 15c3-1, Continued:**

In addition to the minimum net capital provisions, Rule 15c3-1 requires that the Company maintain a ratio of aggregate indebtedness, as defined, to net capital, of not more than 15 to 1. At December 31, 2007 and 2006, the ratio was .16 to 1 and .25 to 1, respectively.

**4. Exemption From Rule 15c3-3:**

The Company acts as an introducing broker or dealer, promptly transmitting all funds and delivering all securities received in connection with its activities as a broker or dealer and does not otherwise hold funds or securities for or owe money or securities to customers. The Company operates under Section (k)(2)(ii) of Rule 15c3-3 of the Securities Exchange Act of 1934 and is therefore exempt from the requirements of Rule 15c3-3.

**INVERNESS SECURITIES, LLC****SUPPLEMENTAL SCHEDULE OF COMPUTATION OF NET CAPITAL  
PURSUANT TO RULE 15c3-1 OF THE SECURITIES AND EXCHANGE COMMISSION  
December 31, 2007 and 2006**

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	<u>2007</u>	<u>2006</u>
Net capital:		
Total member's equity from statement of financial condition	\$ 118,664	\$ 75,662
Less nonallowable assets	<u>(7,133)</u>	<u>(6,778)</u>
Net capital before haircuts on securities:	111,531	68,884
Haircuts on securities	<u>(332)</u>	<u>(218)</u>
Net capital	<u>\$ 111,199</u>	<u>\$ 68,666</u>
Computation of aggregate indebtedness - total liabilities from statement of financial condition	<u>\$ 18,089</u>	<u>\$ 16,931</u>
Computation of basic net capital requirement - 6-2/3% of aggregate indebtedness	<u>\$ 1,206</u>	<u>\$ 1,129</u>
Minimum required net capital	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Net capital requirement	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Excess net capital	<u>\$ 106,199</u>	<u>\$ 63,666</u>
Ratio of aggregate indebtedness to net capital	<u>.16 to 1</u>	<u>.25 to 1</u>

A reconciliation of the computation of net capital under Rule 15c3-1 as included in the Company's unaudited Form X-17a-5 as of December 31, 2007 and 2006, filed with the Securities and Exchange Commission and the amount included in the above computation is not required as there were no audit adjustments.

**INVERNESS SECURITIES, LLC**

**SUPPLEMENTAL SCHEDULES OF COMPUTATION FOR DETERMINATION  
OF RESERVE REQUIREMENTS AND INFORMATION RELATING TO POSSESSION  
OR CONTROL REQUIREMENTS PURSUANT TO RULE 15c3-3 OF THE  
SECURITIES AND EXCHANGE COMMISSION**

**for the years ended December 31, 2007 and 2006**

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The Company is not required to present the schedules "Computation for Determination of Reserve Requirements Under Rule 15c3-3" and "Information for Possession or Control Requirements Under Rule 15c3-3" as it meets the exemptive provisions of Rule 15c3-3, under Section (k)(2)(ii) of the Rule.



**BROCKMAN, COATS, GEDELIAN & CO.**

certified public accountants and consultants

1735 Merriman Road, Akron, Ohio 44313-9007

(330) 864-6661 FAX: (330) 864-6918

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
REQUIRED BY SEC RULE 17a-5**

To the Board of Directors  
Inverness Securities, LLC:

In planning and performing our audit of the financial statements of Inverness Securities, LLC (the Company), as of and for the year ended December 31, 2007 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or

disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2007, to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Burke, Costa, Scuderi & Co.*

February 25, 2008

END